

SCRS Member Handbook



South Carolina Public Employee Benefit Authority

South Carolina Retirement System

SCRS Member Handbook

July 2014 Edition

This version of the SCRS Member Handbook is designed to facilitate usage of computer screen reader software and to use fewer resources, such as paper and toner, when printed.

Table of Contents

General Information	3	When to Apply	17
Membership	3	Eligibility.....	17
Class Two and Class Three Membership	4	Retiree Health Insurance Eligibility.....	18
Employee Contribution Rate	4	Average Final Compensation	19
Member Compensation Limit.....	4	Service Retirement Annuity Calculations	20
Interest on Your SCRS Account.....	4	Class Two Membership	20
Correlated Systems	5	Unused Leave at Retirement.....	20
Designating Beneficiaries for Your Account ..	5	Class Three Membership	21
Online Access to Your SCRS Account	5	Unused Leave at Retirement.....	21
Purchasing Additional Service Credit	6	Payment Options at Retirement	21
Descriptions of Types of Service	7	Option A.....	21
Public Service.....	7	Option B.....	22
Educational Service.....	7	Option C.....	22
Military Service	7	If You Choose Option B or Option C	22
Leave of Absence.....	8	Approximate Amount of Option A Monthly	
Workers' Compensation.....	8	Annuity at Retirement	23
Previously Withdrawn SCRS Service	8	TERI Program – Class Two Members Only	24
Non-Qualified Service.....	9	Post-Retirement Information	26
State ORP Service	9	Monthly Annuity Payments	26
In-Service Death Benefits.....	9	Taxes	26
Active Member Incidental Death Benefit	9	Additional Information for Disability	
Retirement Account Benefits	10	Retirees	26
Disability Retirement Annuity.....	11	Benefit Adjustments	27
Disability Retirement in General	11	Non-Working Retired Member Incidental	
Who May Apply	11	Death Benefit	27
Coordination with Other Benefits	12	Returning to Covered Employment.....	27
How to Apply	12	Earnings Limitation from Covered	
Acknowledgement of Receipt.....	12	Employment – Service Retiree	26
Processing the Claim.....	13	Earnings Limitation from All Employment –	
Effective Date of Disability Annuity	13	Disability Retiree	28
Continuing Disability Review	14	Employment Status	28
Returning to Employment While Receiving		Working 48 Continuous Months.....	29
a Disability Retirement Annuity	15	Working Retired Member Incidental	
Leaving before Retirement	16	Death Benefit	29
Request a Refund.....	16	Working Retired Member Contribution	
Leave Funds on Deposit.....	17	Rate	29
Service Retirement.....	17	Beneficiary and Payment Option Changes	30

South Carolina Public Employee Benefit Authority

The South Carolina Public Employee Benefit Authority (PEBA) is a state agency that administers the state's employee insurance programs and retirement systems. This handbook features information about the South Carolina Retirement System (SCRS), the largest of the retirement systems managed by PEBA's Retirement Benefits staff.

PEBA Retirement Benefits

The PEBA Retirement Benefits office is located approximately five miles from downtown Columbia. See directions below.

Office Hours: 8:30 a.m. to 5 p.m., Monday through Friday

Phone: 803-737-6800; 800-868-9002 (within S.C. only)

Mailing Address: P.O. Box 11960, Columbia, SC 29211-1960

Location Address: 202 Arbor Lake Drive, Columbia, SC 29223

E-mail: <http://www.retirement.sc.gov/contact/email.htm>

Live Chat: Select the "Customer Service Chat Now" button in the header area of the PEBA Retirement Benefits homepage (www.retirement.sc.gov) from 9 a.m. to 4 p.m.

Directions from Downtown Columbia

From downtown Columbia, head north on the Bull Street Extension, which becomes SC-277, and exit right on Fontaine Road. Then turn right on Fontaine Road and make another right into the Fontaine Business Center (Arbor Lake Drive). Follow the signs to 202 Arbor Lake Drive and the visitors' parking area.

Directions from I-20 (Augusta or Florence)

Take Exit 73-A to SC-277 toward Columbia and exit at Fontaine Road. Then turn right on Fontaine Road and make another right into the Fontaine Business Center (Arbor Lake Drive). Follow the signs to 202 Arbor Lake Drive and the visitors' parking area.

Directions from I-26 East (Spartanburg)

Take I-20 East toward Florence and take Exit 73-A to SC-277 toward Columbia and exit at Fontaine Road. Then turn right on Fontaine Road and make another right into the Fontaine Business Center (Arbor Lake Drive). Follow the signs to 202 Arbor Lake Drive and the visitors' parking area.

Directions from I-26 West (Charleston)

Take Exit 116 (I-77 North) toward Charlotte and exit to I-20 toward Augusta (Exit 16). Take Exit 73-A to SC-277 toward Columbia and exit at Fontaine Road. Then turn right on Fontaine Road, and make another right into the Fontaine Business Center (Arbor Lake Drive). Follow the signs to 202 Arbor Lake Drive and the visitors' parking area.

Directions from I-77 South (Charlotte)

Take Exit 18 to SC-277 toward Columbia and exit at Fontaine Road. Then turn right on Fontaine Road and make another right into the Fontaine Business Center (Arbor Lake Drive). Follow the signs to 202 Arbor Lake Drive and the visitors' parking area.

THIS HANDBOOK CONTAINS AN ABBREVIATED DESCRIPTION OF THE RETIREMENT BENEFITS OFFERED BY THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY. THE INFORMATION IN THIS HANDBOOK IS MEANT TO SERVE AS A GUIDE FOR OUR MEMBERS AND DOES NOT CONSTITUTE A BINDING REPRESENTATION OF THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY. TITLE 9 OF THE SOUTH CAROLINA CODE OF LAWS CONTAINS A COMPLETE DESCRIPTION OF THE RETIREMENT BENEFITS, THEIR TERMS AND CONDITIONS, AND GOVERNS ALL RETIREMENT BENEFITS OFFERED BY THE STATE. STATE STATUTES ARE SUBJECT TO CHANGE BY THE GENERAL ASSEMBLY. PLEASE CONTACT THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY FOR THE MOST CURRENT INFORMATION.

THE LANGUAGE USED IN THIS HANDBOOK DOES NOT CREATE ANY CONTRACTUAL RIGHTS OR ENTITLEMENTS AND DOES NOT CREATE A CONTRACT BETWEEN THE MEMBER AND THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY. THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS HANDBOOK.

General Information

The South Carolina Retirement System (SCRS) is a defined benefit retirement plan administered by the South Carolina Public Employee Benefit Authority (PEBA Retirement Benefits) for employees of state agencies, public and charter school districts, public higher education institutions, and other local subdivisions of government that have joined SCRS, as well as individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. This handbook provides a general introduction to SCRS and the benefits that are part of the plan.

If you chose participation in the State Optional Retirement Program (State ORP) defined contribution plan in lieu of SCRS membership, contact your State ORP investment provider for benefits information. If you have not yet made your decision, please refer to the [Select Your Retirement Plan guide](#) and the [“It’s Your Choice: SCRS Plan or State ORP” video](#).

Membership

Membership is mandatory as a condition of your employment with a covered employer unless you are in a position or classification of employment specifically exempted from membership by statute. Other classifications, such as non-permanent employees, have the option to elect non-membership within 30 days from their date of hire. Your employer should let you know if your employment falls into one of these categories. Newly hired employees of state agencies, public school districts, and higher education institutions may choose participation in the State ORP instead of SCRS within 30 days of their date of hire. If you have not yet made your decision, please refer to the [Select Your Retirement Plan guide](#) and the [“It’s Your Choice: SCRS Plan or State ORP” video](#) for more information about and a comparison of the plans.

Your SCRS membership starts when you earn compensation from a covered employer and make contributions to your SCRS retirement account. You are considered an active member if you are working for an SCRS-covered employer, earning service credit, and making regular

contributions to an SCRS retirement account, and you have not retired or terminated from covered employment. You must be an active member to be eligible for most of the benefits described in this handbook.

Class Two and Class Three Membership

Currently, there are two classes of membership: Class Two and Class Three.¹ Class Two members are generally employees who currently have earned service credit in SCRS or a correlated retirement system for a period of service prior to July 1, 2012.

Class Three members are those members who do not currently have earned service in SCRS or a correlated retirement system for a period of service prior to July 1, 2012. A period of withdrawn service or a period of participation in the State ORP does not count toward the earned service credit used to determine whether a member is Class Two or Class Three unless the member has completed a service purchase to establish earned service credit in SCRS for the period of withdrawn service or State ORP participation.

Employee Contribution Rate

Employee and employer contribution rates to the system are set by the PEBA Board each year based upon the results of the annual actuarial valuation of the system and statutory requirements. You contribute a tax-deferred percentage of your gross pay into your SCRS retirement account. The SCRS employee contribution for fiscal year 2015 (July 1, 2014, through June 30, 2015), is 8.0 percent. The SCRS employee contribution will increase to 8.16 percent effective July 1, 2015, for fiscal year 2016 (July 1, 2015, through June 30, 2016).

Member Compensation Limit

The Internal Revenue Service imposes a federal compensation limit under the Internal Revenue Code (IRC), Section 401(a) (17). This limit, also referred to as a cap, is placed on the amount of annual compensation which may be taken into account for purposes of calculating pension contributions. Employees who became members of SCRS or PORS, or participants in State ORP prior to January 1, 1996, are not subject to the annual compensation limit. Employees who became members or participants in the plans on and after January 1, 1996, are subject to the compensation limit as adjusted by the commissioner of the IRS for increases in the cost of living in accordance with Section 401(a)(17) of the IRC. **The calendar year 2014 compensation limit (cap) is \$260,000, up from \$255,000 in 2013.** Compensation in excess of this limitation is not subject to retirement contributions.

Interest on Your SCRS Account

Your SCRS account earns 4 percent interest compounded annually on your balance as of the previous June 30 until you retire or your account becomes inactive. An account is considered inactive when no contributions have been made to the account in the preceding 12 months and no other active, correlated system or State ORP account exists.

¹ Class One membership is no longer applicable.

Correlated Systems

PEBA Retirement Benefits administers several other defined benefit retirement systems for public employees and officials. Two of these other systems, the Police Officers Retirement System (PORS) and the General Assembly Retirement System (GARS), are correlated systems with SCRS. If you have contributions in more than one of these correlated retirement systems, your service credit is maintained separately within each system; however, your service credit is added together to determine your eligibility for a retirement annuity.

For example, if you are an SCRS member with 10 years of service credit and were previously a member of PORS with 15 years of service, PEBA Retirement Benefits would add together your service credit to determine your eligibility for a retirement annuity.

Designating Beneficiaries for Your Account

The benefits administered by PEBA Retirement Benefits also offer options for you to help provide for your survivors in the event of your death. As an active member, you have the option to designate three types of beneficiaries for your account:

- *Primary beneficiaries* for your in-service death benefit (see Page 9) or refund of contributions (see Page 16). Multiple beneficiaries would share equally in a survivor monthly annuity;
- *Contingent beneficiaries* in case of death of the primary beneficiaries. All primary beneficiaries must be deceased before any contingent beneficiaries will be paid; and
- Incidental death benefit beneficiaries (see Page 9).

You may name your estate as a beneficiary for your account; however, monthly annuity payments cannot be paid to an estate. As an active member, you may change your beneficiaries at any time before retirement.

Online Access to Your SCRS Account

Member Access is the online resource that allows you, as a member of SCRS, to view and update your personal information on file with PEBA Retirement Benefits. It's safe, secure and available anytime from anywhere you have Internet access.

Active members may:

- View their designated beneficiary information;
- View their current service credit;
- View and print their member statement;
- Change their address;
- Calculate an unofficial cost estimate to purchase service credit;
- Submit a service purchase request; and
- Submit and view the status of their service retirement application.

Retired members may:

- Change their tax withholdings and their address;
- View and print a 1099-R form;
- View and print a Teacher and Employee Retention Incentive (TERI) program statement;
- View and print an annuity verification letter;
- View their current payment method;
- Change their payment method from paper check to direct deposit; and
- Modify an existing direct deposit account or add an additional direct deposit account.

Inactive members may:

- View and print their member statement; and
- Change their address.

If you haven't registered for member access, you can begin the process by selecting the ["Member Login" button](#) in the right corner of the header on the PEBA Retirement Benefits home page (www.retirement.sc.gov). Once you are on the Member Access home page, select the ["Register Now" button](#) to start the registration process.

Purchasing Additional Service Credit

Active members may establish additional service credit for various types of previous employment and leaves of absence, and up to five years of non-qualified service, which is a type of service credit not associated with any specific employment. Generally, a member on leave without pay from a covered employer is not eligible to establish service credit of any type.

You may establish service credit through a lump-sum payment, an installment service purchase (pre- or post-tax, plus interest), or a tax-deferred rollover from an Individual Retirement Account (IRA), a 401(k) plan, a 401(a) eligible plan, a 403(b) plan, or a 457 plan. The interest rate for an installment service purchase is calculated at the prime rate plus 2 percent. The interest rate for installment service purchases initiated July 1, 2014, through June 30, 2015, is 5.25 percent. The interest rate is fixed for the term of the installment.

You may establish each type of service credit once within a fiscal year. If you are establishing service to meet retirement eligibility, [contact PEBA](#) for more information. Payment for service purchases must be made in full prior to your retirement date or termination from employment. If you previously established service credit for periods of part-time service or previously earned service credit for periods of part-time service prior to July 1996, you may be eligible to establish additional service credit at an additional cost. Please [contact PEBA](#) for more information.

One of the factors used to determine the cost of most types of service purchases is your career highest fiscal year earnable compensation. This includes any salary earned during a period of withdrawn service, regardless if the withdrawn service has been established through a service purchase. This also includes earnable compensation received while participating in the State Optional Retirement Program (State ORP) if you have purchased SCRS service credit for any

State ORP participation. The cost to purchase periods of less than one year will be prorated. You may not establish SCRS service credit for a period of service, other than military service, for which you may also receive a retirement benefit from another defined benefit retirement plan or for a period of service for which you already have credit in SCRS. You also may not establish SCRS service credit if doing so would violate Section 415 or any other provision of the Internal Revenue Code.

A Class Three member who purchases a period of withdrawn service or State ORP participation for any period of covered employment rendered prior to July 1, 2012, will revert to Class Two membership.

Some types of purchased service may not be used in determining eligibility for retiree health insurance. If you are covered by the state's employee health insurance program, contact PEBA at 803-734-0678 or toll free at 888-260-9430 for eligibility information. If your employer does not participate in the state's employee health insurance program, contact your employer for information about insurance in retirement.

Descriptions of Types of Service

Public Service

As an active member, you may establish SCRS service credit for any period of paid public service as an employee of the government of the United States, a state, or political subdivision of the United States, by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased.

Educational Service (K-12)

As an active member, you may establish service credit for any period of paid classroom teaching consisting of grades kindergarten through 12 in a public, private, or sectarian school by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased.

Military Service

As an active member, you may establish up to six years of service credit for any period of military service for which you do not already have service credit in SCRS, PORS, or GARS by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by

PEBA's independent actuary, will not be less than 16 percent of your career highest earnable compensation for each year purchased. This includes service in the United States Army, Navy, Marine Corps, Air Force, Coast Guard, Select Reserves, and the Army or Air National Guard.

Your discharge from service must be under conditions other than dishonorable. Under guidelines set forth by the Uniformed Services Employment and Reemployment Rights Act (USERRA), you may also arrange in advance with your employer to continue contributing to your account while on active duty military leave or make the contributions after returning from military leave within a period three times longer than your military leave, but not more than five years.

Leave of Absence

If you return to covered employment as an active member within four years of an employer-approved leave of absence, you may purchase service credit for the employer-approved leave period for which you do not already have service credit, up to a maximum of two years per leave of absence. The leave of absence must be with an employer covered by one of the retirement systems administered by PEBA. You may establish this service by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased.

Workers' Compensation

As an active member, you may establish service credit for a period while on a leave of absence and receiving workers' compensation benefits. The cost is based on contributions plus interest using your earnable compensation at the time of injury. You may also arrange in advance with your employer to continue contributing to your account while you are receiving workers' compensation benefits.

Previously Withdrawn SCRS Service

If you left employment and received a refund of your contributions plus interest from SCRS, you may re-establish this service upon returning to active membership. You must repay the amount you withdrew plus interest to the date your request is received. Previously withdrawn earned service that is re-established in SCRS is considered earned service for the determination of the SCRS minimum service requirement for benefit eligibility. Please note that earnings associated with a re-established withdrawal will be considered for possible inclusion in the calculation of a member's average final compensation. A Class Three member who purchases a period of withdrawn service for any period of covered employment rendered prior to July 1, 2012, will revert to Class Two membership.

Non-Qualified Service

Active Class Two and Class Three members who have five or more years of earned service credit may establish up to five years of non-qualified service by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 35 percent of your career highest fiscal year earnable compensation for each year purchased.

State ORP Service

Active members may purchase service credit for their years of participation in the State ORP by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year compensation for each year purchased. State ORP participation that is established in SCRS is considered earned service for the determination of the SCRS minimum service requirement for benefit eligibility. Please note that earnings associated with established State ORP participation will be considered for possible inclusion in the calculation of a member's average final compensation. A Class Three member who purchases a period of State ORP participation for any period of covered employment rendered prior to July 1, 2012, will revert to Class Two membership.

In-Service Death Benefits

Active Member Incidental Death Benefit

If, as an active member, you die in service with at least one year of service credit and your employer provides incidental death benefit coverage, a payment equal to your current annual earnable compensation will be paid to your designated beneficiary. If your death results from a job-related injury, the one-year requirement is waived.

Amounts paid to your designated beneficiary are subject to ordinary federal and state income taxes. It is up to your designated beneficiary to request that state taxes be withheld from the payment. PEBA is required to withhold federal taxes of 20 percent on the incidental death benefit payment unless your designated beneficiary rolls over the money into another qualified retirement plan. A designated beneficiary who is a spouse may roll over the incidental death benefit payment into an individual retirement account (IRA), a 401(k) plan, a 401(a) eligible plan, a 403(b) plan, or a 457 plan. A non-spousal beneficiary may roll over the incidental death benefit payment into an inherited or beneficiary IRA only.

Your designated beneficiary should check with an accountant or a tax advisor about his tax liability, or visit the IRS's website at www.irs.gov and the website for the tax agency in the state in which he resides. In South Carolina, visit the South Carolina Department of Revenue's website at www.sctax.org.

State agencies, the General Assembly, and public school districts automatically provide incidental death benefit coverage to their employees; however, coverage is optional for other employers. If an employer elects to provide incidental death benefit coverage for its employees, the employer must pay the required contribution rate for the coverage.

Retirement Account Benefits

If you die in service as an active member, your designated beneficiary will be entitled to receive a refund of your employee contributions plus the interest earned on your account regardless of your age and years of service credit at the time of your death.

Your designated beneficiary will be eligible to choose a monthly annuity instead of a refund of your employee contributions plus the interest earned on your account if:

- You are a Class Two member with at least five years of earned service credit and either have at least 15 years of total service credit or you are at least 60 years of age at the time of your death; OR
- You are a Class Three member with at least eight years of earned service credit and either have at least 15 years of total service credit or you are at least 60 years of age at the time of your death.

Disability Retirement Annuity

Please note that new SCRS disability eligibility standards apply to all SCRS disability retirement applications that are received by PEBA after December 31, 2013. Please read through this section of the handbook to familiarize yourself with the new standards and how they will affect you.

Disability Retirement in General

Applications that Were Received by PEBA prior to January 1, 2014

For applications received by PEBA prior to January 1, 2014, a member of SCRS may be approved for disability retirement benefits from SCRS if the member is physically or mentally incapable of performing the regular duties of his or her job, the disability is likely to be permanent, and the circumstances are such that the member should be retired.

Applications that Are Received by PEBA after December 31, 2013

For applications received by PEBA after December 31, 2013, a member of SCRS may be approved for disability retirement benefits from SCRS only if the member has first been approved for disability benefits from the federal Social Security Administration, which generally requires an incapacity to perform any gainful occupation.

Who May Apply

For All Applications

Becoming disabled does not automatically qualify you for a disability retirement annuity; you must file an application and go through the review process. You must be “in service” with an employer covered by one of the retirement systems administered by PEBA in order to file an application for disability retirement benefits. A member is considered to be in service on the date the application is received by PEBA if: (1) the last day the member was employed by a covered employer was no more than 90 days before the date PEBA received the application **and** (2) the member had not been retired on a service retirement allowance for more than 90 days at the time PEBA received the application. If PEBA does not receive your application while you are in service, you will not be eligible to receive any disability retirement benefits from SCRS. Retired members who work for a covered employer, including TERI participants, are not eligible to apply for a disability retirement annuity.

In addition to being in service, you must also meet certain earned service requirements in order to apply for disability retirement benefits. If you are a Class Two member, you must have at least five years of earned service credit toward retirement unless your disability is the result of an injury arising out of and in the course of the performance of your job duties. If you are a Class Three member, you must have at least eight years of earned service credit toward retirement unless your disability is the result of an injury arising out of and in the course of the performance of your job duties.

Coordination with Other Benefits

You may arrange with your employer to make your retirement contributions through your employer if your disability requires you to be placed in an employer-approved leave status while receiving workers' compensation benefits. Doing so will ensure that you continue to earn retirement service credit during your workers' compensation leave period. Do not wait to apply for a disability annuity until your workers' compensation claim is finalized. Many workers' compensation claims are often settled after covered employment has ended. If your disability claim is denied, the continuance of paying retirement contributions and earning retirement service credit may be important to your long-term retirement plans.

For applications submitted to PEBA after December 31, 2013, you must still file your application while you are in service with a covered SCRS employer even if you have not yet been approved for Social Security disability benefits. Because of the length of time the Social Security disability application can take, do not wait to apply for SCRS disability retirement benefits until your Social Security disability claim has been approved.

How to Apply

For All Applications

You should file your application for disability retirement as soon as you become disabled and while you are still in service with an employer covered by SCRS. Either go to the PEBA Retirement Benefits website at www.retirement.sc.gov or [contact PEBA](#) to obtain a disability retirement packet. When you file your disability retirement claim, please complete all of the forms in the disability retirement packet. You do not, however, need to include any medical records from your health care providers. If your disability retirement application is received by PEBA more than 90 days after you terminate from all covered employment under SCRS or more than 90 days after the date of your service retirement, you will not be eligible to apply for a disability retirement annuity.

The date your application is actually received by PEBA is the date used to determine whether the application was timely filed and which eligibility standard applies. If your application is received after December 31, 2013, you will have to be approved for Social Security disability benefits in order to receive a disability retirement annuity from SCRS.

Acknowledgement of Receipt

If you do not receive notification in the mail confirming PEBA's receipt of your application within 10 days after submitting it, please [contact PEBA](#). If you are eligible for service retirement when you become disabled, you may apply for a service retirement annuity and begin receiving a monthly annuity while awaiting determination of your disability claim. You will receive only one type of payment, so if your disability claim is approved, you will need to decide whether to continue to receive your service retirement annuity or to begin receiving a disability annuity.

Processing the Claim

Applications that Were Received by PEBA prior to January 1, 2014

Your medical records will be obtained from your health care providers by our disability determination provider and evaluated to determine the severity and limiting effects of your physical or mental impairment. The determination to approve or deny your disability retirement claim is made by PEBA. If your claim is denied, you will have an opportunity to appeal the denial. Please allow a minimum of three months after all required documentation has been received from you, your employer, and your health care providers for your disability application to be processed. If you do not receive notification of PEBA's decision within three months, please [contact PEBA](#).

If PEBA approves your disability retirement claim, your service credit will be projected to when you would have reached age 65 to calculate your monthly annuity.

Applications that Are Received by PEBA after December 31, 2013

The evaluation of your disability claim depends on when you send your Social Security Award letter to PEBA. Once PEBA receives your Social Security Award letter, your claim for an SCRS disability annuity can be evaluated. Please note that you will not be eligible for an SCRS disability annuity if the disability onset date established by the Social Security Administration is more than one year after the date of your termination from employment. Please be reminded that, because your SCRS disability retirement application must still be filed while you are "in service," you should not wait to submit your disability retirement application to PEBA until your Social Security disability claim has been decided.

If PEBA approves your disability retirement claim, your benefit will be calculated based on your accrued average final compensation and service credit as of your date of retirement. There is no projection of service credit.

Effective Date of a Disability Annuity

Applications that Were Received by PEBA prior to January 1, 2014

If your disability retirement claim is approved, the effective date for your annuity will be the 30th day after your application is received by PEBA or the day after your last day on your employer's payroll, whichever is later.

The disability retirement benefit will be based upon the service retirement benefit that would have been payable had you continued in service to age 65 at your current average final compensation, with an actuarial reduction for the contributions that would have been made during those years of projected service credit. This annual benefit may not be less than 15 percent of your average final compensation.

Applications that Are Received by PEBA after December 31, 2013

Once you have provided a copy of the Social Security Award letter to PEBA, your SCRS disability annuity will be effective the later of the disability onset date established by the Social Security Administration or the day after your termination from employment. Retroactive benefits will be paid to back to the later of these two dates.

The disability retirement benefit will be based upon your years of credited service at retirement, average final compensation at retirement, and the current benefit multiplier for service retirement benefits. There will be no projection of additional service or contributions. However, the annual benefit may not be less than 15 percent of your average final compensation.

Continuing Disability Review

Applications that Were Received by PEBA prior to January 1, 2014

A disability annuity, once approved, may be discontinued if:

- You regain a certain earning capacity; or
- Medical evidence indicates that you are no longer disabled; or
- Your disability annuity was not approved following a continuing disability review.

Periodic medical reexaminations may be required up to age 65. If PEBA determines that your disability annuity should cease because of an improvement in your medical condition, your annuity will stop the month of your scheduled continuing disability review or the month of PEBA's decision, whichever is later.

Applications that Are Received by PEBA after December 31, 2013

If you have not yet reached age 65, you must provide a document indicating your continued receipt of Social Security disability benefits to PEBA each year. PEBA must receive this annual continued receipt document within 30 days after the anniversary date of your SCRS disability retirement.

Failure to produce documentation of your continued receipt of Social Security disability benefits within 30 days after the anniversary date of your SCRS disability retirement will result in suspension of your SCRS disability annuity. Your SCRS disability annuity will be reinstated retroactively if you provide the necessary documentation of your continued receipt of Social Security disability benefits within one year of the anniversary date of your SCRS disability retirement. Failure to produce documentation within one year of the anniversary date of your SCRS disability retirement will result in the permanent termination of your SCRS disability annuity.

Returning to Employment While Receiving a Disability Retirement Annuity For All Applications

If you are under age 65 and receiving an SCRS disability annuity, you should report earnings from any gainful (public or private) employment to PEBA annually because there is an earnings limitation for all employment which is applied on a calendar-year basis. You may earn the difference between your adjusted average final compensation (AFC) at retirement and your disability annuity without affecting your annuity.

Your AFC may be adjusted each year for inflation for earnings limitation purposes only. This increase generally matches the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W). These adjustments affect the amount you can earn while receiving a disability annuity; however, they do not affect the amount of your annuity. You will receive a letter each February advising you of how much you can earn and requesting confirmation of your prior year's earnings. You will have to repay any benefits that you received to which you were not entitled. If you earn more than the difference between your adjusted AFC and your disability annuity, your monthly annuity will be reduced or possibly canceled. If you return to work with an employer covered by one of the retirement systems administered by PEBA and your annual earnable compensation is equal to or greater than your adjusted AFC, your disability annuity ceases and you must become an active member of the system. After age 65, a disability retiree is subject to the same earnings limitation as a service retiree (see Page 28).

Additional Information for Applications that Are Received by PEBA after December 31, 2013

Because a disability retiree who retires from SCRS under an application received by PEBA after December 31, 2013, must annually establish continued approval for Social Security disability benefits in order to continue to receive an SCRS disability retirement annuity, any post-retirement employment that causes a disability retiree to no longer receive Social Security disability benefits will also result in the discontinuance of the retiree's SCRS disability retirement annuity upon his or her annual review date. For more information about returning to employment while receiving Social Security disability benefits, see [Working While Disabled—How We Can Help](http://www.ssa.gov/pubs/EN-05-10095.pdf), available from the Social Security Administration at <http://www.ssa.gov/pubs/EN-05-10095.pdf>.

Leaving before Retirement

If you leave your job and terminate all employment covered by one or more of the retirement systems administered by PEBA before you are eligible to retire, you have two options concerning your contributions:

- Request a refund of your employee contributions plus the interest earned on your account; or
- Leave your funds in your SCRS account. Your account will continue to accrue interest until your account becomes inactive. Your SCRS account is considered inactive when no contributions have been made to the account in the preceding 12 months and no other active, correlated system or State ORP account exists.

Request a Refund

If you have terminated all employment covered by one or more of the retirement systems administered by PEBA and wish to receive a refund of your accumulated employee contributions plus the interest earned on your account, you must complete a [Refund Request \(Form 4101\)](#) and return it to PEBA. You may submit your refund request immediately upon termination; however, by law, there is a minimum 90-day waiting period to a maximum of six months from your date of termination until a refund can be made. If you are working for two or more covered employers and/or contributing to more than one retirement account (i.e., working two jobs and paying into an SCRS and a PORS account), you must stop working in all correlated systems to request a refund from any account.

If you receive a refund, you forfeit your rights to any future service retirement or disability annuity. Employer contributions are not refunded. Instead of having the refund paid directly to you, you may choose to roll over the funds into an IRA, a 401(k) plan, a 401(a) eligible plan, a 403(a) plan, a 403(b) plan, or some 457 plans. The South Carolina Deferred Compensation Program's 457 retirement plan does not accept rollovers from your SCRS account.

PEBA is required to withhold federal taxes of 20 percent on the taxable portion of any refund that is eligible for a rollover but is not transferred directly into another qualified retirement plan. If you do not take advantage of a rollover as indicated above and are under the age of 59 ½ at the time of distribution, your distribution will be subject to regular income tax in the year you receive the payment, plus **there may be a 10 percent penalty tax on the taxable portion of your distribution, unless certain exceptions apply.**

See "Special Tax Rules" in [IRS Publication 575](#) and [IRS Form 5329](#) for more information on this tax penalty and the exceptions to the penalty.

Be sure to check with an accountant or a tax advisor about your tax liability, or visit the IRS's website at www.irs.gov and the website for the tax agency in the state in which you reside. In South Carolina, visit the South Carolina Department of Revenue's website at www.sctax.org.

Leave Funds on Deposit

When you leave your money in your SCRS account, you retain your years of service credit, which may be added to any future service you may accrue should you later become employed in a position covered by one of the correlated retirement systems administered by PEBA. Your account will continue to earn interest until it becomes inactive. An account is considered inactive when no contributions have been made to the account in the preceding 12 months and no other active, correlated system or State ORP account exists. You may apply for a refund at a later date or apply for a service retirement annuity upon reaching eligibility. No action is required if you wish to retain your membership and leave your funds on deposit, but it is your responsibility to keep PEBA informed of your current address as well as any name or beneficiary changes. You can make certain updates to your account information through [PEBA Retirement Benefits' secure member access website](#) (see Page 5 for more information).

Service Retirement

A good way to begin the planning process for retirement is to attend a retirement seminar offered by PEBA. Sessions are held regionally in the fall. The seminar schedule can be found on the PEBA Retirement Benefits website at www.retirement.sc.gov/events. You can also register to attend a seminar through this website. If you are considering retirement, you may obtain a consultation by telephone or in person at our office. Simply [contact PEBA](#) to arrange a consultation or visit our office. Walk-ins are welcome.

When to Apply

You must file an application with PEBA to retire; it is not automatic. You may file your application as early as six months prior to your desired effective date of retirement but no later than 90 days afterward. We encourage you to file your application as early as possible. Retirement applications and other forms are available on the PEBA Retirement Benefits website at www.retirement.sc.gov or you may [contact PEBA](#) to request these forms.

If you do not receive notification of PEBA's receipt of your application within 10 days after submitting it, [contact PEBA](#). Please do not terminate employment until PEBA has verified your service credit and you receive written notice of your retirement eligibility from PEBA. This notice will be sent to you in the mail and is entitled, "Notification of Retirement Eligibility and Estimated Benefit." Benefit estimates may be obtained from PEBA but are projected based on information you provide and information in PEBA's records. Benefit estimates are subject to change upon review of your account after PEBA receives your retirement application.

Eligibility

If you meet the following requirements, you are considered eligible to retire (see **Correlated Systems** on Page 5 if you have an account in more than one retirement system):

Normal Retirement (Unreduced Benefit)

Class Two Members:

- 28 years of service credit on the date of retirement, five years of which must be earned service credit; or
- Age 65 or older on the date of retirement with five years of earned service credit.

Class Three Members:

- Meet the Rule of 90 requirement with at least eight years of earned service credit. This means that your age and years of service credit must add up to 90. For example, a member who is 56 years old and has at least 34 years of service credit, eight years of which must be earned service credit, would be eligible for normal retirement ($56 + 34 = 90$).
- Age 65 or older on the date of retirement with eight years of earned service credit.

Early Retirement (Reduced Benefit)

Class Two Members:

- Age 60 with at least five years of earned service credit. Your benefit is permanently reduced 5 percent for each year of age less than 65; or
- Age 55 or older with 25 years of service credit, five years of which must be earned service credit. Your benefit is permanently reduced 4 percent for each year of service credit less than 28. Benefit adjustment restrictions apply (see Page 27).

Class Three Members:

- Age 60 with at least eight years of earned service credit. Your benefit is permanently reduced 5 percent for each year of age less than 65.

Retiree Health Insurance Eligibility

The eligibility requirements for a service annuity and for retiree health insurance are not the same. If you are covered by the state's health insurance program, be sure to read the eligibility requirements beginning on Page 181 of the [2014 Insurance Benefits Guide](#) or [contact PEBA](#) at 803-734-0678 or toll free at 888-260-9430 for eligibility information. If your employer does not participate in the state's employee health insurance program, contact your employer for information about insurance in retirement.

Average Final Compensation

Your average final compensation, commonly referred to as AFC, is an important part of the formula used to calculate your retirement annuity.

If you are a Class Two member, your AFC is the 12 highest consecutive quarters² of earnable compensation on which you made regular member contributions and were earning service credit. An amount up to and including 45 days' termination pay for unused annual leave at retirement may be included in your AFC calculation. For an elected official, AFC may be calculated as the average annual earnable compensation for the 36 consecutive months before the expiration of the elected official's term of office.

If you are a Class Three member, your AFC is the 20 highest consecutive quarters³ of earnable compensation on which you made regular member contributions and were earning service credit. Termination pay for unused annual leave at retirement may not be included in the AFC calculation.

One of PEBA's goals is to start your annuity payment as soon as possible so that you are not without income once you terminate employment. To make this possible, your initial annuity payment does not include any credit for unused sick or annual leave, if applicable, nor does it include your final earnable compensation information. Until all of this information is received from your employer, you will receive an estimated annuity.

If you are a Class Two member, after your employer submits your final earnable compensation information, which is in the form of quarterly retirement contributions, PEBA will audit the retirement contributions for your 12 highest consecutive quarters of earnable compensation. For work performed after December 31, 2012, your AFC does not include any overtime pay not mandated by your employer. Your AFC may be adjusted after the audit if any of the contributions included in the AFC calculation were for any payments not considered a part of your regular earnable compensation base. Your AFC will also be adjusted according to statute to include payment for your unused annual leave (see **Unused Annual Leave at Retirement Annual Leave** on Page 20.) As a result of the information received from your employer and the audit of the contributions for your 12 highest consecutive quarters of earnable compensation, your retirement annuity will be finalized. The final amount may be less than, or more than, your estimated annuity.

If you are a Class Three member, you will have retirement contributions for your 20 highest consecutive quarters of earnable compensation audited. Your earnable compensation does not include any overtime pay not mandated by your employer. You will not receive service credit for unused sick leave at retirement, nor will payment at retirement for your unused annual leave be included in the calculation of your AFC.

² A quarter means a period January through March, April through June, July through September, or October through December.

Service Retirement Annuity Calculations

Class Two Membership

The four-step formula below is used to calculate your Class Two monthly annuity based on the Option A payment plan described on Page 21.

- Step 1** Total your 12 highest consecutive quarters of earnable compensation and allowable annual leave payout and divide by 3.³ This produces your AFC.
- Step 2** Multiply the result of Step 1 by 1.82 percent (.0182).
- Step 3** Multiply the result of Step 2 by years, months, and days of service.⁴
- Step 4** Divide the result of Step 3 by 12.

Class Two Example

For a Class Two member with 28 years of service credit, and an AFC of \$30,000:

\$30,000 multiplied by 1.82 percent (.0182) equals \$546

\$546 multiplied by 28 equals \$15,288

\$15,288 divided by 12 equals \$1,274 (Option A monthly annuity)

Unused Leave at Retirement

Annual Leave

Only an amount up to and including 45 days' pay for unused annual leave from a Class Two member's last termination payment shall be included before averaging the member's 12 highest consecutive quarters of earnable compensation (see Step 1 of the benefit formula above). If you are a Class Two member who is or plans to become a participant in the Teacher and Employee Retention Incentive (TERI) program, please see Page 24 concerning unused annual leave provisions.

Sick Leave

At retirement, a Class Two member may receive service credit for up to 90 days of unused sick leave from the member's last employer at no cost to the member (see Step 3 of the benefit formula). This service credit cannot be used to establish retirement eligibility. Sick leave is reported by a Class Two member's employer after retirement. One month of service credit is granted for each 20 days of sick leave.

School District and Higher Education Employees

Adjustments may be required so that you receive credit for three full years of earnings. Such adjustments may include changes in payroll cycles, contract payouts, and any other occurrence that could potentially cause the AFC to include more or less than three full years of earnings.

³ The dollar amount of payment for up to 45 days of unused annual leave paid by a Class Two member's last employer at retirement may be included before averaging the member's 12 highest consecutive quarters of earnable compensation. The result of Step 1 is the member's average final compensation (AFC).

⁴ Convert months to days and divide the total days by 360 to determine a decimal equivalent for partial years. For example, 25 years, 2 months and 10 days equals 25 years, 70 days (60 plus 10). 70 divided by 360 equals .19. This amounts to 25.19 years of service.

Class Three Membership

The four-step formula below is used to calculate your Class Three monthly annuity based on the Option A payment plan described on Page 21.

- Step 1** Total your 20 highest consecutive quarters of earnable compensation and divide by 5. This produces your AFC.
- Step 2** Multiply the result of Step 1 by 1.82 percent (.0182).
- Step 3** Multiply the result of Step 2 by years, months, and days of service.⁵
- Step 4** Divide the result of Step 3 by 12.

Class Three Example

For a Class Three member who is age 60 with 30 years of service credit (satisfying the Rule of 90) and an AFC of \$30,000:

\$30,000 multiplied by 1.82 percent (.0182) equals \$546

\$546 multiplied by 30 equals \$16,380

\$16,380 divided by 12 equals \$1,365 (Option A monthly annuity)

Unused Leave at Retirement

Class Three members will not receive service credit for any unused sick leave at retirement and any pay you receive at termination for unused annual leave will not be included in the calculation of your average final compensation.

Payment Options at Retirement

There are three monthly annuity payment options available to you at retirement. Select the option that best suits your needs. Generally, your payment option may not be changed once your annuity is first payable.

Option A (Maximum Retiree Only Monthly Annuity)

This option provides the maximum monthly annuity available and will pay you a lifetime annuity based on your average final compensation, years of service, and a multiplier (.0182). After your death, PEBA Retirement Benefits will return, through a lump-sum payment to your beneficiary or your estate, the remaining balance of any member contributions and interest, and any working retiree contributions not exhausted through receipt of your annuity during your retirement.

⁵ Convert months to days and divide the total days by 360 to determine a decimal equivalent for partial years. For example, 25 years, 2 months and 10 days equals 25 years, 70 days (60 plus 10). 70 divided by 360 equals .19. This amounts to 25.19 years of service.

Option B (100% - 100% Joint Retiree-Survivor Monthly Annuity)

You will receive a reduced (from Option A) monthly annuity for life. After your death, the same annuity (100 percent of your reduced monthly annuity, including granted benefit adjustments) will continue throughout your beneficiary's lifetime. If all of your designated beneficiaries predecease you, your annuity will revert to Option A, including any benefit adjustments granted since your retirement date.

You may select Option B only if your designated beneficiary is your spouse, or you designate multiple beneficiaries or a sole beneficiary who is not your spouse and who is within the 10-year age difference limits allowed by an Internal Revenue Code (IRC) formula. The non-spousal limits do not apply if the non-spousal beneficiary is older than you, or in the case of disability retirement or death benefits. If, based on the IRC formula, the adjusted age difference for you and a non-spousal beneficiary exceeds the IRC limits, Option B would not be available to you. You would be able to select Option C, however, with no IRC restrictions.

Option C (100% - 50% Joint Retiree-Survivor Monthly Annuity)

You will receive a reduced (from Option A) monthly annuity for life. After your death, one-half of the annuity (50 percent of your reduced monthly annuity, including granted benefit adjustments) will continue throughout your beneficiary's lifetime. If all of your designated beneficiaries predecease you, your annuity will revert to Option A, including any benefit adjustments granted since your retirement date.

If You Choose Option B or Option C

If you choose Option B or Option C and name multiple beneficiaries, after your death your annuity will be divided equally among those beneficiaries. The annuity will not change for the remaining beneficiaries if one beneficiary dies, either before or after the member dies. If you select Option B or Option C and all of your designated beneficiaries predecease you, your annuity will revert to Option A effective on the date the last beneficiary died. You must notify PEBA upon the death of a beneficiary.

Approximate Amount of Option A Monthly Annuity at Retirement

The information in the table below is based on Option A. Choosing Option B or Option C to provide a future annuity for beneficiaries (or retiring with SCRS early retirement reductions) will reduce the amount of your monthly annuity.

AFC	Years of Service									Additional Monthly Annuity for Each Additional Year
	5 ⁶	10 ⁶	15 ⁶	20 ⁶	25 ⁶	28	30	35	40	
\$20,000	\$152	\$303	\$445	\$607	\$758	\$849	\$910	\$1,062	\$1,213	\$30
\$25,000	\$190	\$379	\$569	\$758	\$948	\$1,062	\$1,138	\$1,327	\$1,517	\$38
\$30,000	\$228	\$455	\$683	\$910	\$1,138	\$1,274	\$1,365	\$1,593	\$1,820	\$46
\$35,000	\$265	\$531	\$796	\$1,062	\$1,327	\$1,486	\$1,593	\$1,858	\$2,123	\$53
\$40,000	\$303	\$607	\$910	\$1,213	\$1,517	\$1,699	\$1,820	\$2,123	\$2,427	\$61
\$45,000	\$341	\$683	\$1,024	\$1,365	\$1,706	\$1,911	\$2,048	\$2,389	\$2,730	\$68
\$50,000	\$379	\$758	\$1,138	\$1,517	\$1,896	\$2,123	\$2,275	\$2,654	\$3,033	\$76
\$55,000	\$417	\$834	\$1,251	\$1,668	\$2,085	\$2,336	\$2,503	\$2,920	\$3,337	\$83
\$60,000	\$455	\$910	\$1,365	\$1,820	\$2,275	\$2,548	\$2,730	\$3,185	\$3,640	\$91
\$65,000	\$493	\$986	\$1,479	\$1,972	\$2,465	\$2,760	\$2,958	\$3,450	\$3,943	\$99
\$70,000	\$531	\$1,062	\$1,593	\$2,123	\$2,654	\$2,973	\$3,185	\$3,716	\$4,247	\$106
\$75,000	\$569	\$1,138	\$1,706	\$2,275	\$2,844	\$3,185	\$3,413	\$3,981	\$4,550	\$114
\$80,000	\$607	\$1,213	\$1,820	\$2,427	\$3,033	\$3,397	\$3,640	\$4,247	\$4,853	\$121
\$85,000	\$645	\$1,289	\$1,934	\$2,578	\$3,223	\$3,610	\$3,868	\$4,512	\$5,157	\$129
\$90,000	\$683	\$1,365	\$2,024	\$2,730	\$3,413	\$3,822	\$4,095	\$4,778	\$5,460	\$137
\$95,000	\$720	\$1,441	\$2,161	\$2,882	\$3,602	\$4,034	\$4,323	\$5,043	\$5,763	\$144
\$100,000	\$758	\$1,517	\$2,275	\$3,033	\$3,792	\$4,247	\$4,550	\$5,308	\$6,067	\$152
\$110,000	\$834	\$1,668	\$2,503	\$3,337	\$4,171	\$4,671	\$5,005	\$5,839	\$6,673	\$167

⁶ SCRS early retirement reduction may apply.

TERI Program – Class Two Members Only

If you are an active Class Two member who is eligible for service retirement based on any of the criteria outlined on Page 17, you may elect to participate in the Teacher and Employee Retention Incentive (TERI) program when you complete your application for service retirement. To participate in the TERI program, you must enroll at the time of your retirement.

TERI participants employed by an agency that adheres to state personnel policies will be exempt from the State Employee Grievance Procedure Act. This means your employment as a TERI participant is at will. If a TERI participant works for an employer that is not governed by state personnel policies, the TERI participant would be subject to his employer's policies regarding employment status and rights.

How the TERI Program Works

TERI participation allows you to retire and begin accumulating your monthly annuity on a deferred basis without terminating your employment. During your TERI period you will pay the same pre-tax contribution rate as active members for the duration of your TERI period; however, you will not earn service credit or interest on your account.

Your monthly annuity is accumulated in your TERI account. No interest is paid on the benefits accumulated in your TERI account. Retiree benefit adjustments are applied to a TERI participant's monthly annuity in the same manner in which other retirees receive such adjustments. You may participate in TERI only once. If you retired previously and received a service or a disability retirement annuity from SCRS, you are not eligible to participate in the TERI program. However, disability retirees who repaid all of the benefits they received and were restored to active membership are eligible to participate in the TERI program. Participants of the TERI program are not eligible for a disability retirement annuity.

If you die during your TERI participation period and your employer provides the incidental death benefit, your beneficiary may be entitled to a payment equal to one year's earnable compensation. If you die while participating in TERI, in addition to any eligible incidental death benefit, the total amount of your benefits accumulated in your TERI account will be distributed to the beneficiary designated for your retirement benefit. A designated beneficiary who is a spouse may roll over the taxable portion of the TERI balance into an IRA, a 401(k) plan, a 401(a) eligible plan, a 403(b) plan, or a 457 plan. A non-spousal beneficiary may roll over the taxable portion of the TERI balance into an inherited or beneficiary IRA only.

At the end of your TERI period, you must terminate employment. Confirmation of your actual termination date is required from your employer. You may then receive the balance in your TERI account through either a taxable, single-sum distribution payable directly to you or through a tax-deferred rollover into a qualified retirement plan. Any distribution paid directly to you is subject to ordinary federal and state income taxes and may be subject to an additional 10 percent federal penalty for early withdrawal.

Unused Annual Leave and Your AFC

The initial annuity payments posted to your TERI account will be based on information received up to that point because your account is considered to be estimated. After your employer submits your final earnable compensation information, retirement contributions for your 12 highest consecutive quarters of earnable compensation will be audited. Your benefit may be adjusted accordingly after the audit to include service credit for up to 90 days of unused sick leave only. Your account will remain in this status for the duration of your TERI period. Upon termination of employment at the end of your TERI participation, your annuity will be recalculated by increasing your AFC to include payment for up to 45 days of unused annual leave paid at termination, divided by three.

Returning to Covered Employment after TERI Participation

If you plan to return to work for a covered employer after your TERI period ends, you must consult with your employer regarding your employer's employment severance and return-to-work policy. You are not guaranteed employment; a covered employer decides whether or not to hire you after your TERI period has ended. Regardless of your TERI retirement date, if you return to work after your TERI participation has ended, you will make employee contributions.

TERI Program to Close June 30, 2018

Initially, TERI participants could defer receipt of their retirement annuity for up to 60 months; however, the TERI program will be closed effective June 30, 2018. Class Two members who enter the TERI program after July 1, 2013, will not be eligible to participate in TERI for the full 60 months. Instead, their TERI participation will end on June 30, 2018, regardless of when they entered the program. For example:

- A member who began his TERI participation on July 1, 2013, is eligible to participate in the TERI program for all 60 months before the program is closed on June 30, 2018.
- A member who enters the TERI program on July 1, 2014, will only be able to participate in the program for four years before the program is closed.
- A member who decides to enter the TERI program on June 1, 2018, will be eligible to participate for 30 days before the program is closed on June 30, 2018.

The TERI program is not available to Class Three members.

Post-Retirement Information

Monthly Annuity Payments

Monthly annuity payments are directly deposited into your bank account on the last business day of each month. Electronic distribution of monthly annuity payments reduces risks to both annuity recipients and the state, as well as reduces costs to your retirement plan. You may add or change your direct deposit information any time by logging into PEBA's secure, [Member Access website for retirement benefits](#) or contact our office at 803-737-6800 or 800-868-9002 (within S.C. only) to request a [Direct Deposit Authorization \(Form 7204\)](#).

Taxes

The taxable portion of your monthly annuity and any incidental death benefit payments to your beneficiary are subject to federal and state income taxes. Since tax laws are complex and constantly changing, be sure to check with an accountant or a tax advisor about your tax liability, or visit the IRS's website at www.irs.gov and the website for the tax agency in the state in which you reside. In South Carolina, visit the South Carolina Department of Revenue's website at www.sctax.org.

Additional Information for Disability Retirees

Disability Applications that Were Received by PEBA prior to January 1, 2014

If you are an SCRS member who applied for disability retirement and whose application was received by PEBA prior to January 1, 2014, and you are receiving a disability annuity, the disability benefits paid to you by PEBA are reported annually on IRS Form 1099-R as normal distributions for income tax purposes. This is in accordance with IRS guidelines, which also direct usage of various codes to reflect the taxability of a payment, or distribution, for income tax purposes. PEBA is required to use a code "7" in box 7 of your Form 1099-R rather than a code "3" because the disability program for applications received by PEBA prior to January 1, 2014, is an occupational or job related disability program rather than a total and permanent disability program as described in section 72(m)(7) of the Internal Revenue Code. A code "7" in box 7 of your Form 1099-R means that you are not subject to the 10 percent tax penalty for early withdrawal because you receive your retirement benefits through a monthly annuity; however, these benefits should be included as ordinary income for tax purposes.

Although the Form 1099-R you receive from PEBA correctly contains a code "7" in box 7, you may also receive monthly benefits from the Social Security Administration and be considered totally and permanently disabled for Social Security purposes. If you are considered totally and permanently disabled for Social Security purposes, you may qualify for the [Credit for the Elderly or the Disabled](#). Please refer to [Schedule R](#) when completing your tax return. You must keep for your records a copy of your physician's statement, which certifies that you were permanently and totally disabled on the date that you retired.

Disability Applications that Are Received by PEBA after December 31, 2013

For SCRS disability benefits paid to a member who applied for disability retirement and whose application was received by PEBA after December 31, 2013, PEBA will report your disability benefits annually to the IRS on Form 1099-R using a code “3” because disability retirees must be entitled to and receiving benefits from the Social Security Administration. This means disability retirees are considered totally and permanently disabled for Social Security and PEBA purposes.

Benefit Adjustments

Per current state law, effective each July 1, eligible SCRS retirees are to receive an annual benefit adjustment of 1 percent of their annual annuity up to a maximum of \$500 per year. The increase will be reflected in annuity payments issued on the last business day of July since benefits are payable the last business day of the month.

The earliest you can receive a benefit adjustment is the second July 1 after your date of retirement. Class Two members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for benefit adjustments until the second July 1 after they reach age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Non-Working Retired Member Incidental Death Benefit

As a non-working retiree, if you die and your last employer prior to retirement provides incidental death benefit coverage (see Page 9), a payment based on your service credit will be paid to your beneficiaries as follows:

Years of Service Credit	Incidental Death Benefit Payment
10 to 19 years of service credit	\$2,000
20 to 27 years of service credit	\$4,000
28 or more years of service credit	\$6,000

Amounts paid to your beneficiary are considered taxable benefits; therefore, federal taxes will be withheld unless your beneficiary rolls over the money into another qualified retirement plan. It is up to your beneficiary to request that state taxes be withheld from the payment.

Returning to Covered Employment

Return-to-work rules for SCRS members changed January 2, 2013. To return to work after you retire, you must first have a complete, bona fide severance or termination of employment. After 30 days of retirement, you may be hired by an employer covered by one of the retirement systems administered by PEBA. For Class Two members, the TERI period counts toward the 30-day break requirement. If you return to covered employment sooner than 30 consecutive calendar days after retirement, your monthly annuity will be suspended while you remain employed by a covered employer. A severance from employment is required at the end of the

TERI program before a member may receive his accumulated benefits or return to covered employment.

Earnings Limitation from Covered Employment – Service Retiree

If you retire before you reach age 62 and return to covered employment, you will be subject to a \$10,000 per year earnings limitation. This means you can earn up to \$10,000 per year from covered employment and continue to receive your retirement annuity. If you continue covered employment and earn more than \$10,000 in a calendar year, your monthly annuity will be suspended for the remainder of that year. The \$10,000 earnings limitation applies regardless of your age when you return to covered employment. For example, if you retire at age 58 with 30 years of service and return to covered employment when you are 63 years old, you would still be subject to the \$10,000 earnings limitation since you retired before you reached age 62.

The \$10,000 earnings limitation from covered employment does not apply to members who retired prior to January 2, 2013, or members who retire after age 62. In addition, the limitation does not apply to a retired member who receives compensation for service as an elected official, service as an appointee of the Governor with confirmation by the South Carolina Senate, or service by appointment or election by the General Assembly.

Critical Needs Teachers Exemption

Under certain circumstances, a retired member may return to covered employment without affecting his monthly annuity if he is a certified teacher and is employed by a school district to teach in the classroom in his area of certification. The \$10,000 earnings limitation does not apply if the State Department of Education determines that no qualified, non-retired member is available for employment in the position, and that a certified teacher is teaching in a critical academic need area or a geographic need area as defined by the State Board of Education, or that a retired certified school teacher or certified employee is employed in a school or school district that has received a “below average” or “unsatisfactory” academic performance rating pursuant to the Education Accountability Act. After approval is received from the Department of Education, school districts must notify PEBA of the member’s exemption from the earnings limitation.

Earnings Limitation from All Employment – Disability Retiree

Please see the **Returning to Employment While Receiving a Disability Retirement Annuity** section on Page 15 for information about the calendar year earnings limitation for disability retirees.

Employment Status

Any retired member who is employed by an agency that adheres to state personnel policies will be exempt from the State Employee Grievance Procedure Act. This means your employment is at will. If, as a retired member, you return to work for an employer that is not governed by state personnel policies, you would be subject to your employer’s policies regarding employment status and rights. TERI participants employed by an agency that is covered by the

State Employee Grievance Procedure Act will be exempt from the requirements of that Act (employment is at will). If a TERI participant works for an employer that is not governed by state personnel policies, the member would be subject to his employer's policies regarding employment status and rights. Any payout of unused annual leave to a working retiree will not be used in calculation of his benefit. Any member having questions regarding his employment status and rights upon becoming a TERI participant should contact his employer for clarification.

Working 48 Continuous Months

If you return to employment and work 48 continuous months for a covered employer with an annual earnable compensation of at least 75 percent of the AFC used to calculate your monthly annuity, you may elect to cease your monthly annuity and become an active member of SCRS. If you become an active member again, you have the option to repay all retirement benefits and make a payment equal to the amount you would have contributed during the period you would have been an active member plus interest to receive service credit for the 48-month period. When you subsequently retire, your monthly annuity will be calculated as if you were retiring for the first time. TERI participation does not count towards the 48-month period. If you begin this process for the purpose of establishing eligibility for retiree health insurance, please [contact PEBA](#) for assistance.

Working Retired Member Incidental Death Benefit

If you are a TERI participant or a working retired member and your employer provides incidental death benefit coverage, a payment equal to your current annual earnable compensation will be paid to your beneficiary if you die while in service. Amounts paid to your beneficiary are considered taxable benefits; therefore, federal taxes will be withheld unless your beneficiary rolls over the money into another qualified retirement plan. It is up to your beneficiary to request that state taxes be withheld from the payment.

Working Retired Member Contribution Rate

If you return to work for a covered employer after you retire, you will contribute the same tax-deferred percentage of your gross pay into your SCRS retirement account as an active member. As a working retiree, you will not earn additional service credit or receive interest on your account; however, you can be assured of getting back contributions made as a working retiree through annuity payments to you or annuity payments and/or a refund of contributions to your surviving beneficiary if you chose payment Option B or Option C at retirement. If you chose payment Option A at retirement and the retiree contributions have not been exhausted through the payment of benefits to you, a refund of contributions will be paid to your designated beneficiary.

Beneficiary and Payment Option Changes

Retired Member Incidental Death Benefit

You may change your beneficiary for the retired member incidental death benefit at any time regardless of the payment option you selected.

Option A

You may change your beneficiary for retirement benefits at any time. If you have a change in marital status (death of spouse, marriage, divorce), you may also select a new payment option within one year of the qualifying event.

Option B and Option C

If all of your beneficiaries predecease you, your monthly annuity will revert to Option A effective on the date the last beneficiary died. You must notify PEBA upon the death of a beneficiary. You may then designate a new beneficiary under Option A. If you have a change in marital status (death of spouse, marriage, divorce), you may also select a new payment option and designate a new beneficiary within one year of the qualifying event.

Payment Option Change Limitation

Your form of monthly payment may not be changed more than twice regardless of the number of events (death of a designated beneficiary or change in marital status) that occur. A reversion to Option A after the death of your beneficiary will count as one of the two changes. If a second beneficiary predeceases you after you have again selected Option B or Option C, you will revert automatically to Option A; however, no further form of payment changes will be allowed. Changes in form of payment occurring before January 1, 2001, are not included in the limitation provision.

For More Information

Be sure to visit the PEBA Retirement Benefits website at www.retirement.sc.gov for additional information, resources, and tools. Estimate what your retirement benefit will be by using our online calculator. Sign up for our RSS (news) feed while you are on the website so you can receive email notifications when we update the site or post important news. You may also contact PEBA by telephone at 803-737-6800 or toll free at 800-868-9002 (within S.C. only), by email at www.retirement.sc.gov/contact/email.htm, or by live chat by clicking on the “Customer Service Chat Now” button in the header area of the PEBA Retirement Benefits homepage (www.retirement.sc.gov).

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